



THE PIVOTAL RELATIONSHIP

How Obama Should Engage China

Liu Xuecheng Robert Oxnam



EASTWEST INSTITUTE
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The EastWest Institute is an international, non-partisan, not-for-profit policy organization focused solely on confronting critical challenges that endanger peace. EWI was established in 1980 as a catalyst to build trust, develop leadership, and promote collaboration for positive change. The institute has offices in New York, Brussels, and Moscow.

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FOREWORD

The United States and China have developed what is arguably the most important relationship in the 21st century. The interactions between the world's largest developed state and the world's largest developing country profoundly affect the stability of both the Asia-Pacific region and the rest of the world.

Under the Bush administration, relations got off to a rocky start following the EP-3 spy plane collision in 2001 and political differences exacerbated by U.S. weapons deliveries to Taiwan. Since then, however, U.S.-China relations have been regarded by many experts on both sides of the Pacific as generally stable. Of course there are very real differences that have troubled and could well continue to hamper the potential of the U.S.-China relationship. But while other areas of Bush's foreign policy are being scaled back or reversed by the Obama administration, Secretary of State Hillary Clinton has expressed a desire to build on the Bush administration's engagement with China from one focused on common economic concerns to a comprehensive dialogue addressing a broader range of strategic interests, "more in keeping with the important role that China is playing and will be playing as both a regional and international player."

That last comment by Clinton says it all. The most pressing security concerns for the United States—including Afghanistan, which the Obama administration has labeled the most important military challenge facing the country—cannot be effectively managed without constructive Chinese participation. Likewise, China needs constructive U.S. engagement in dealing with its high-priority issues, including Taiwan and China's growing involvement in global affairs that affect its own strategic future. Furthermore, both countries find themselves mired in a global economic crisis that can be resolved only by close cooperation between them and the rest of the international community.

It was with such needs in mind that the EastWest Institute invited two highly-respected experts on Sino-U.S. relations—one Chinese and one American—to provide their respective hopes and expectations on what they would like to see in the Obama administration’s China policy: Liu Xuecheng and Robert Oxnam. Liu is Senior Fellow and Executive Vice President of the Center for China-U.S. Relations Studies at the China Institute of International Studies. Oxnam was President of The Asia Society for over a decade (1981-92). Most recently, he served on the Asia policy advisory team for the Obama presidential campaign. (Oxnam’s views in this paper are his own—he is in no way speaking for the Obama administration.)

Both authors envision opportunities for reframing the China-U.S. relationship in a way that will enable the two countries to collectively manage regional and global challenges. To this end, they advocate expanding and strengthening existing high-level dialogue mechanisms such as the Strategic Economic Dialogue, while identifying other strategic areas in which this pivotal bilateral relationship may be utilized for practical solutions to common global concerns. For example, Oxnam suggests that the United States and China develop the world’s first “green relationship” to lead global efforts on climate change issues, which dovetails with the Obama administration’s stated goal to make climate change issues one of its policy priorities.¹

The way ahead in U.S.-China ties, though, will not be without its difficulties—some of them potentially serious and even destabilizing to the relationship. Tensions emerged in the U.S.-China relationship from the first day of Obama’s

1 One aspect of U.S.-China cooperation on climate change issues includes cooperation on clean coal. This is addressed in a policy publication by EWI, *Clean Coal: U.S.-China Cooperation in Energy Security*.

presidency. Chinese officials were riled first by President Obama's inauguration speech, which referred to the defeat of communism and criticized governments that suppress dissent, and then by Treasury Secretary Timothy Geithner's accusation of China as a currency manipulator during his confirmation hearings. Liu and Oxnam also recognize that certain potentially divisive issues will need careful attention, such as Taiwan, Tibet, human rights, China's currency policies, and trade disagreements. Nevertheless, both authors agree on the need to continue developing the U.S.-China relationship from a long-term and strategic perspective in a way that allows both countries to focus on their myriad common concerns while addressing their strategic differences in an honest and constructive manner.

Such is the desired outcome not only of this paper, but also of EWI's Track I.5 work to promote U.S.-China dialogue on key strategic and security concerns. Our dedicated efforts to engage China began four years ago when we launched Trialogue21, which brings together top emerging leaders from China, the U.S., and Europe on an annual basis for off-the-record discussions to clarify perceptions, build trust, and identify areas of cooperation on global issues. Our success with Trialogue21 led to EWI's U.S.-China High Level Security Dialogue, which provides a bilateral channel for confidential interaction among influential players in the American and Chinese strategic relationship. In the past two years, EWI has brought together retired military leaders, former government officials, business leaders, and top security experts from the United States with their Chinese counterparts on a range of security issues. The recommendations by Liu and Oxnam in this paper will be considered in off-the-record discussions at the annual U.S.-China High Level Security Dialogue as well as Trialogue21 meetings.

China and the United States: Renewing the Trans-Pacific Partnership

Liu Xuecheng

Young and charismatic Barack Obama won a historic victory in the U.S. presidential election. This victory has sparked an international frenzy filled with hope and expectations. Obama, who ran on a platform of “change,” has vowed to rebuild U.S. national power, reshape its international image, and renew its global leadership. However, he will face daunting internal and external challenges—fighting the disastrous financial crisis and economic recession, bringing the war on terror to an end, and coping with emerging powers, including China. What relevance does his victory have for U.S. policy toward China? Will Obama’s China policy be one of change or continuity? What would we expect from the Obama administration in cultivating the future course for a China-U.S. constructive and cooperative partnership? These questions are the real concerns of the Chinese people as political power changes hands in the United States.

BUSH’S LEGACY

China was noteworthy in the presidential campaign for one main reason: it was not a significant issue. Neither the candidates nor their running mates made much mention of China at all. (After the campaign, China took exception to remarks during Timothy Geithner’s testimony during his confirmation hearing for Treasury Secretary in which he accused China of currency manipulation.) To some, this phenomenon could signify the maturity of China-U.S. bilateral relations and something of a bipartisan consensus on China in the United States. But perhaps more realistically, it signals that both candidates were more focused on Iraq, Afghanistan, terrorism and other issues rather than the question of U.S. policy toward China.

China has been an increasingly important focus of U.S. foreign policy since relations with the United States were normalized 30 years ago. The changes in the China-U.S. relationship since normalization in 1979 have been truly dramatic and encouraging.

President Obama’s predecessor based his China policy on the strategic thinking that emerging powers would pose potential challenges to America’s global and

regional supremacy. The Bush administration believed that China stood at a strategic crossroads and the future course China takes will affect global and regional power structures. Bush adopted a “hedging policy” toward China and sought to shape the future course of its development. This policy was designed to integrate China into U.S.-led global and regional mechanisms, make it a “responsible stakeholder” in these systems, and prevent it from making any policies or moves that might jeopardize the interests of the United States and its allies.

President Bush tried to strike a balance between dialogue and cooperation on the one hand and constraint and precaution on the other—criticizing, for example, the Chinese model of development while encouraging China to participate in solving urgent regional and global challenges. Despite unresolved differences and thorny disputes, China and the United States have become stakeholders and partners in dealing with global and regional issues on the basis of common interests. The two countries have positive interactions at all levels and constructive exchanges in all fields on a scale and a depth that could not have been imagined before. President Bush’s strong record of achievements in developing China-U.S. bilateral relations and effective dialogue mechanisms for dealing with issues of mutual concern are greatly appreciated in China.

Today, the two countries have become increasingly interdependent; some commentators have even coined the term “Chimerica.” There is a sound basis for continuing constructive cooperation across all issue areas and expanding contributions to global peace and prosperity in the 21st century.

OBAMA: A CHINESE PERSPECTIVE

When Chinese President Hu Jintao congratulated President (then Senator) Obama on his electoral victory, the resulting conversation gave Hu direct insight into Obama’s thinking on the U.S.-China relationship. From the comments that Obama gave directly to Hu, in the course of the campaign, and as a Senator, Chinese expectations are emerging. Among the messages that China has heard are:

- During the congratulatory call, Obama told Hu that China’s development and success and U.S. interests are related. Obama stated that he hoped that the United States and China would strengthen cooperation and develop bilateral relations further. Hu also emphasized that developing a constructive partnership is in the fundamental interests of the two countries. The two great nations should increase exchanges, deepen mutual trust, expand co-

operation, and promote durable bilateral partnership. The cordial goodwill and firm commitments expressed by Obama and Hu bode well for continuing constructive cooperation in the years ahead.

- The core of Obama's diplomatic strategy is renewing America's global leadership. In his view, U.S. national security strategy should respond to the challenges posed by Islamic fundamentalism and the rise of emerging powers, including China. He has vowed to rebuild America's global alliances and partnerships. When he explains his Asia policy priorities, President Obama notes that the United States needs an inclusive infrastructure with the countries in East Asia that can promote stability and prosperity and help confront transnational threats. He believes that the United States should first of all maintain robust relations with its allies and deepen its partnership with India, which Obama regards as a "natural strategic ally" of the United States. At the same time, Obama has pledged to deepen America's relations with China. As he points out, "[A]n Obama administration will look for opportunities to work with China and others in the region to foster an environment where regional stability and prosperity flourish."
- President Obama believes that China has grown into a major power. It is unreasonable to deny its participation in efforts to stabilize financial markets and combat terrorism. During his presidential campaign, Obama described China as neither friend nor enemy but competitor. But in other remarks, Obama has characterized China as a partner. While addressing the Senate in May 2008, Obama pointed out that China's rise is both a challenge and an opportunity for the United States. The United States should welcome China's peaceful rise and at the same time be prepared to prevent it from developing in a problematic direction.
- In his article published in *Foreign Affairs* (July/August 2007), Obama encouraged China to play a responsible role as a growing power—to help lead in addressing the common problems of the 21st century. He emphasized that "our essential challenge is to build a relationship that broadens cooperation while strengthening our ability to compete." The United States and China will face challenges that require the United States to change its policy. "How the United States and China meet these challenges, and the extent to which we can find common ground, will be important both for our own countries and for others in Asia and beyond."

- In his article on China for the monthly magazine *China Brief* (of the American Chamber of Commerce), President Obama stated that the United States and China can accomplish much when the two countries recognize their common interests. He points out that U.S.-China cooperation in the six-party talks on the North Korean nuclear issue over the past few years makes clear that “we can work together constructively, bilaterally and with others, to reduce tensions on even extraordinarily sensitive issues.” He also noted that “finally, and critically, we need a strong foundation for a long-term positive and constructive relationship with an emerging China.”
- Against the background of the financial crisis and economic recession, trade protectionist sentiment continues to grow. This means that the trade deficit, currency exchange rate, environmental issues, intellectual property rights, and labor standards could continue to be prominent issues in our bilateral relations in the years ahead. During his presidential campaign, Obama complained about China’s currency policy and trading practices and said he would, once in office, try to bring about a change in Chinese policy through diplomatic means. Secretary of Treasury Timothy Geithner, during his confirmation hearing, even accused China of currency manipulation. Geithner’s comment was not unexpected in China as many anticipated the new Obama administration would take a relatively protectionist and populist stance toward China. The White House, however, tried to play down Geithner’s accusation by noting that the United States wants to establish a “comprehensive” economic relationship with China, and stating that it will not make a determination about China’s currency until Treasury provides a report to Congress in the spring.
- In its election platform, the Democratic Party promises to adhere to its “one China” policy and the Taiwan Relations Act and support “peaceful resolution of cross-strait issues that is consistent with the wishes and best interests of the people of Taiwan.” It emphasizes that its “one China” policy is based on the Taiwan Relations Act without mentioning the three Sino-U.S. communiqués—the Shanghai Communiqué (1972), the China-US Communiqué on Arms Sale to Taiwan (1982), and the China-U.S. Communiqué on the Establishment of Diplomatic Relations (1979). Obama welcomed the \$6.5 billion arms package for Taiwan announced by the Bush administration on October 3, 2008. He has also not given short shrift to “human rights in Tibet” in his articles and policy statements. Obama’s position on Taiwan and Tibet could cast an unpleasant shadow over the future relationship between China and the United States.

In sum, the remarks made by President Obama to date have emphasized that the United States and China should work together to meet the global and regional challenges. He is unlikely to demonize China, and he sees China as a partner rather than as a competitor in pushing forward the bilateral constructive cooperation. There are some areas where common ground needs to be developed—the currency issue and Tibet come immediately to mind—but overall Chinese expectations are based on the positive and constructive call for partnership and cooperation.

CHINA'S EXPECTATIONS

The United States is the largest developed state and China is the largest developing state in the world. The China-U.S. relationship has become the most important bilateral relationship in the world today. The two countries share multiple common interests such as global financial stability, energy security, climate change, counter-terrorism, and nuclear proliferation. Globalization has made us increasingly interdependent. As permanent members of the UN Security Council, China and the United States shoulder the common responsibility of world peace and development.

Since the establishment of our bilateral diplomatic relations, great progress has been made in developing our current positive and constructive relationship. More than 30 government-to-government agreements have been signed and over 60 mechanisms for dialogue and cooperation have been created—of special note are the high-level strategic dialogue mechanisms that were institutionalized between the two governments during the Bush presidency. The United States and China are constructive partners rather than competing rivals.

The global financial crisis and recession further highlights the absolute necessity of Chinese-U.S. cooperation. To push forward bilateral constructive cooperation, we need to shake off the partisan mindset and build on what has been achieved by past Republican and Democratic administrations.

Our leaders have always advocated that our two countries should treat our bilateral relations from the long-term and strategic perspective. The importance and effect of China-U.S. interactions go far beyond bilateral relations. Given that our two countries have different political systems, different levels of socio-economic development, and different cultural traditions, we also need to observe the principles of mutual respect and consultation on an equal footing and pursue win-win cooperation.

As two responsible powers in the world, we need to work together to meet de-

velopmental challenges and combat security threats. Dialogue, consultation, and cooperation need to be the core of our constructive partnership. Any differences and disputes in bilateral, regional, or global fields should be put into the diplomatic process and not be politicized. The differences in a specific field should not be allowed to affect our general constructive relationship.

Of particular concern to the Chinese leadership is that the Obama administration continues to strengthen the existing dialogue mechanisms—such as the Strategic Economic Dialogue and the Senior Official Dialogue. The biannual Strategic Economic Dialogue, begun in 2006, has become an important platform for the economic leaders of both countries to exchange views on bilateral economic and trade relations. The China-U.S. Senior Official Dialogue mechanism was suggested by President Hu. Launched in 2005, this dialogue provides a forum for the two powers to discuss issues of mutual concern. In the six meetings to date, the topics included economics and trade issues, energy security, counterterrorism cooperation, nonproliferation, and pandemic diseases. The two dialogue mechanisms have achieved productive results and we welcome any proposal for broadening and strengthening such mechanisms.

How the United States works with emerging powers will be crucial, since the pressing problems facing the world today cannot be resolved without the participation of these emerging powers, China first and foremost. The U.S.'s efforts to fight the global financial crisis have evolved from a G-8 focus to the G-20 with key developing countries invited. China is an indispensable player in addressing the current challenges the United States and the world are facing. The Obama administration is clearly aware of this situation.

We hope that the Obama administration will be able to carefully treat the Taiwan and the Tibetan issues, which remain the most sensitive and important issues in our bilateral relations. They involve the core interests of China's sovereignty and national security. We hope that the Obama administration will abide by the three Sino-U.S. joint communiqués and that both sides will respect each other's core interests and handle sensitive issues properly in our bilateral relations.

Peaceful settlement of the Taiwan issue is Chinese government's established policy.

We hope that the new administration will continue to work with the Chinese government to stabilize the cross-strait situation and support the efforts of peaceful development across the Taiwan Strait.

Realizing Tibet's real autonomy, speeding up its economic development and improving Tibetans' living standards, and ensuring its social stability is the core of the Chinese government's Tibet policy. Tibetan separatist groups are undertak-

ing violent acts within Tibet, which is undermining Tibet's social stability, normal life of the local people, and economic development. The Dalai Lama is not only a religious leader but also the political leader of the Tibetan government-in-exile in India, the goal of which is to seek Tibet's independence. Foreign leaders meeting the Dalai Lama and his followers have actually recognized their efforts for Tibet's independence. The Chinese government is open to negotiations with the Dalai Lama or his representatives. We hope that the new administration can understand the position of the Chinese people and will not arrange meetings with the Dalai Lama and other Tibetan separatists in any official capacity.

CHINA'S COMMITMENT

China and the United States have created a trans-Pacific partnership twice in recent history. Our two countries fought shoulder-to-shoulder against fascist aggression in World War II. We coordinated strategically and successfully defeated Soviet expansion during the Cold War. Now is the time for our two great nations to develop a new trans-Pacific partnership to address global and regional issues related to our common developmental and security interests.

Under a new trans-Pacific partnership, we think that our two countries are committed to the establishment of constructive partnership in four specific fields: economics and trade, counterterrorism, nuclear nonproliferation, and energy and climate change. We both face daunting developmental challenges and real security threats in these areas, but we also have broad common interests and bright futures for bilateral cooperation. We have already created consultative and cooperative mechanisms during the Bush presidency. Based on those achievements, under the new administration, as Secretary of State Clinton states, we may work together and create a higher level strategic dialogue mechanism that can contain both economic/trade and diplomatic/security issues. Our ongoing dialogues have attracted considerable attention from the international community. Their significance lies not only in China and the United States inaugurating a new communication channel with an open mind and pragmatic attitude, but also in the two sides seeking common ground while preserving differences from a strategic perspective, frankly laying out their respective strategic concerns and core interests, and looking for the long-term and stable development of bilateral relations. This dialogue mechanism has provided a new platform for the advancement of the China-U.S. constructive partnership.

We salute all those who have made great contributions to the development

of China-U.S. relations. We hope that our bilateral relationship will be further broadened to the grass-roots level. More people-to-people exchanges would consolidate the social basis of our durable friendship and cooperation in the years ahead. A new trans-Pacific partnership between China and the United States within the Asia-Pacific architecture of multilateral cooperation will be in the fundamental interests of our two great nations and greatly conducive to lasting peace and sustained prosperity of the whole region.

U.S. China Policy: A New Era?

*Robert B. Oaxman*²

In U.S.-China relations, genuine historic opportunities occur very infrequently—roughly once in a generation. In the late 1940s, the United States rebuffed Chinese Communist overtures for “normalization.” The next twenty-five years witnessed the Cold War, the Korean War, and the Vietnam War. In the early 1970s, in a “week that changed the world,” President Richard Nixon and Chairman Mao Zedong found common cause in shared anxieties about the Soviet Union, paving the way to ending the Vietnam conflict, accelerating the conclusion of the Cold War, and jumpstarting China’s remarkable modernization.

Now, on the brink of the 21st century’s second decade, two crucial events suggest a fresh historic opportunity—the spectacular Beijing Olympic Games symbolizing China’s emergence as a full-fledged global power and the dramatic 2008 U.S. election bringing Barack Obama to the presidency with a mandate for change both at home and abroad.

And so, as the Obama administration has just taken power and develops and articulates its policy priorities, let me share my hopes for a new era in U.S.-China relations designed to take advantage of a historic opportunity (as we did in the 1970s) and avoid a missed opportunity (as happened in the 1940s).

ELEVATING AND REVITALIZING THE “PIVOTAL RELATIONSHIP”

For many years, various administrations have sought to define U.S.-China relations within a vague zone often described as “neither enemy nor friend,” prompting such awkward phrasings as “constructive engagement” or seeking to make China a “responsible stakeholder.”

I hope that we reframe the United States and China as a “pivotal relationship,” thus nodding affirmatively to those who call it “the most important relationship in the 21st century.” In effect, we would be proclaiming that these two giant coun-

2 While the author was a member of the Asia and China advisory committees during the Obama presidential campaign, he has not been involved in the post-election transitional process and has no plans for involvement in the Obama administration. This essay, prepared at the request of the EastWest Institute, consists of his own views and does not in any way reflect the views of the Obama administration.

tries have special roles to play in moving the world away from conflict and toward cooperation in the decades ahead. And now, the global economic crisis, which has enmeshed both massive economies in very deep ways, offers a further rationale for seeing increased Sino-American interaction as “pivotal.”

Essentially, the U.S.-China relationship would be framed as “pivotal” in three interlocking spheres of influence.

First, the bilateral relationship, already in reasonably good shape after three decades of normalization, would be enhanced by reframing it as the interaction between “two great 21st century powers.” As a result, the Sino-American relationship would be given a sense of heightened specialness, governed by an explicit commitment to equality and reciprocity, and energized by several fresh initiatives.

Second, the Sino-American relationship would be seen as central to the stability and economic well-being of the Asia-Pacific region with special attention to Japan, India, Korea, and ASEAN. After eight years in which many Asian countries felt slighted, this broadened regional context would be welcome, especially as the United States moves beyond unilateralist obsession with terrorism and democracy.

Third, the United States and China would describe their relationship as “globally pivotal” (indeed it is already described that way by many observers in Asia, Europe, and North America). At the very least, this would entail much closer cooperation in global institutions (UN, WTO, WHO, etc.). More broadly, it would mean close cooperation with China as we expand the G8 to G12 (China, India, Brazil, Russia, and perhaps others). And most broadly, it would mean that U.S. and Chinese leaders would think and plan in ways that draw together global, regional, and bilateral strategies over a medium- and long-term context. Of course, this approach would not produce consensus, but it would allow both sides to capitalize on areas of agreement and to air disagreements in advance so as to diminish the chance of dangerous surprises.

To realize the “pivotal” potential in the Sino-American relationship, the United States would have to assign highest priority to China policy and to initiate regular dialogue at the presidential and cabinet levels (similar to the “trip-driven relationship” of the 1970s). China, already hard at work in multilateral diplomatic and economic strategies, would have to give heightened attention to its U.S. policy and fend off whatever domestic and international blowback might occur. And both sides would need to make clear that a pivotal relationship is neither pernicious nor an alliance; instead the United States and China, drawn together by virtue of their size and significance, would seek to prove that they could work cooperatively to deal with massive issues that are, at once, bilateral, regional, and global.

SEEKING A “GREEN RELATIONSHIP”

No cluster of issues clouds global concerns and Asian anxieties more than environmental degradation/global warming. China and the United States now have the dubious distinction of being the world’s two leading states in emissions of carbon gasses. Why not bring these issues center stage in Sino-American relations, committing both sides to dramatic environmental changes, thus creating the world’s first “green relationship”?

At the heart of any global warming agreement must be the creation of a workable and enforceable model for capping and reducing carbon emissions on both sides. Fortunately, several prominent figures in China, as well as a number of appointees in the Obama administration, have made global warming a central domestic and foreign policy issue for the years ahead. And influential Track II initiatives have laid the groundwork for the two governments to move ahead. But two factors are crucial: 1) an agreement on appropriate capping targets and methods of verification and enforcement (a potentially tricky issue because China claims it deserves more latitude as a “developing country”); and 2) statesmanship at the highest levels culminating in an Obama-Hu summit.

Presuming a carbon emissions agreement, the two sides could expand their environmental agenda considerably to make for a genuinely inclusive “green relationship.” Extensive cooperation between the two governments, as well as the business and nongovernmental sectors, could occur in developing and sharing alternative energy sources and technologies. The availability of clean water, already a crisis in China and a deep concern in the United States, offers extensive possibilities for collaboration in research and development. Both countries face considerable challenges with deforestation and desertification, offering the chance to share information and best practices. Crop management techniques, genetically-modified food production, and new seed strains and non-toxic fertilizers all offer real potential for U.S.-China collaboration.

If the United States and China embark on a genuine effort to create a “green relationship,” the world will surely have a new model for linking geopolitics to global environmental issues. And it would allow the United States and China to play leadership roles in international meetings, protocols, and treaties dealing with energy and the environment. All of this would amount to a peaceful revolution in Sino-American relations, with truly earth-shaking consequences.

REAFFIRMING AND BROADENING THE “STRATEGIC ECONOMIC DIALOGUE”

Sometimes the best change is no change at all, or rather, making what we now have a bit better. That’s my third hope—that the Obama administration will keep a significant policy of the Bush administration: the U.S.-China Strategic Economic Dialogue (SED), but broaden its membership and its mandate. The SED has become a centerpiece in the relationship over the past eight years, coping with a wide range of trade and investment issues, helping make the two-way Sino-American interaction a crucial growth factor in the world economy.

Now here’s the rub: the SED was an outgrowth of the pro-business Republican Bush administration and now it is being handed over to the Democratic Obama administration. While Obama administration strongly supports international trade, it also hopes to manage and regulate trade in ways that do not undercut American jobs, do not sustain considerable U.S. trade deficits, and do not ignore environmental standards or human rights issues.

What is required is a careful balancing act between two extremes: unfettered free trade and unthinking trade protectionism. That’s a balance that was struck during the Clinton years and, hopefully, will be preserved in the Obama administration. It is important to note that a similar balance is at the heart of the World Trade Organization (WTO), which China joined in 2002 after agreeing to abide by its principles and regulatory framework.

So the SED will have to show considerable flexibility in the years ahead, not only to continue the Bush administration agendas, but also to include the new issues that the Obama team will bring to the table. Fortunately, President Obama’s economic team consists of real professionals in international trade issues, especially Treasury Secretary Timothy Geithner, who spent many of his formative years in Asia and who speaks Chinese. My hope is that the SED can adapt to this new era and allow both sides to talk privately about the “politics of economics”: the domestic pressures that shape, and often limit, the economic policy options in Beijing and Washington. In this respect, it would be valuable for both sides to bring into their deliberations some representatives from their respective private sectors and labor organizations.

Inevitably, the SED will be reshaped by the global economic crisis that is buffeting both the United States and China. The downturn in American consumer spending is now having an immediate whiplash effect in China, causing the closure of factories and the rise in the number of unemployed workers. In many ways, we are in the same boat, often considering similar strategies: dramatic interest rate adjustments, mortgage guarantees, and bailout packages. How we

handle this new era, and how we communicate about our strategies while still in the planning phase, will be a crucial determinant of the economic and political sides of the U.S.-China relationship. And how we manage our bilateral economic dialogue, now that we have left the fatter years and entered a new era of leanness, will be a key determinant of Chinese and U.S. interactions with other key actors in the Asia-Pacific region. Yet again, we need to realize that apparently bilateral concerns really have significant regional consequences and ultimately create ripples around the world.

BRINGING NEW DEPTH AND TRANSPARENCY TO SECURITY ISSUES

According to some observers, the United States has had a “love-hate relationship” with China for over two centuries, producing emotional cycles based on our own projections of hope and fear rather than an accurate understanding of China itself. Nowhere is this U.S.-China policy bipolar disorder more evident than in the realm of security questions. Some Americans, often in the business community, see China as a stable, peace-loving, non-aggressive country. Other Americans, often in the media and in Congress, see China as a rising power, threatening the security of the United States in military and economic ways.

U.S. political leadership is a crucial factor in shaping attitudes towards China, especially cultivating a more balanced and accurate perception of Chinese global potential and intent. China’s military budget and technology has grown over the past decade, but most credible analysts conclude that Beijing poses no military threat to the United States at present and will not present such a threat for several decades at the earliest. The same analysts also note that China’s military growth is designed to protect its border regions, to make it a significant geopolitical player in the Asia-Pacific region, and to make it a real force if military tensions erupt over Taiwan. The Obama administration has a chance to make it clear that China is not our new military enemy, but also that we have real challenges in security issues that will require fresh approaches. President Obama has several senior advisors who understand this need for balanced analysis very well, including Vice President Biden, Secretary of State Clinton, and National Security Adviser General Jones.

Similarly, China has had its own love-hate cycles vis-à-vis the United States. Negative imagery about America, widespread in the 1950s and 1960s, has resurfaced around such events as the bombing of the Chinese embassy in Belgrade (1999) and the Hainan spy plane crisis (2001). Some Chinese analysts have worried

that the Bush Doctrine, articulating unilateralism and preemptive strikes against countries deemed threatening to American global preeminence, was really aimed at China as much as it was against Iraq, Iran, and North Korea. So it is crucial that leaders on both sides make it clear that neither country sees the other as an immediate threat, not just for security reasons, but also to calm domestic critics.

In this non-adversarial atmosphere, the United States and China could enter an era of much greater transparency on a wide range of military security questions. Most importantly, both sides need to be forthcoming on two key issues: significant changes in military deployments and acquisition or development of new military technologies. We need a regular high-level military communications regime allowing for early warnings about such developments and facilitating discussions of strategic goals and tactical intent.

If we can achieve this level of enhanced transparency and trust, then the United States and China could broaden our focus and address a hefty array of 21st century security questions. In recent years, the Sino-American relationship has made progress in addressing our mutual concern with terrorism, but we have yet to address fully weapons of mass destruction (especially nuclear weapons technology transfer). Both sides are enormous consumers of global commodities, especially energy resources, and thus avoidance of commodity conflicts must be seen as a key security issue. The United States and China also have a concern for the non-militarization of space (which became a public issue in 2007 when China shot down one of its satellites). In short, the list of contemporary security concerns is considerable and demands enhanced mechanisms for joint consultation and conflict resolution.

The notion of reframing the United States and China as a “pivotal relationship” has special significance in terms of bilateral, regional, and global security. The strength of Sino-American relations is pivotal to the stability of the Asia-Pacific region. Of course, we have ongoing interests in two potentially hot issues: North Korea, where the Six Party Talks must continue and where both Beijing and Washington must press for the denuclearization of the Korean Peninsula; and Taiwan, where the current situation has eased in the wake of Ma Yingjeou’s election, but also where both the United States and China must work assiduously to avoid crises and facilitate peaceful relations.

But we also have interests around the world, sometimes in agreement, often with conflicting outlooks; thus we need to think globally about Sino-American security deliberations. Two hot spots deserve special mention. South Asia (especially Afghanistan, Pakistan, and India) is an area of acute mutual concern to both China and the United States where we could benefit from sharing differ-

ing perspectives and intelligence. Similarly, in the Middle East (from the Israel-Palestinian situation to the questions of Iraq and Iran), Beijing and Washington have been pursuing quite distinct strategies while failing to engage in deep discussions until global crises emerge (such as UN debates over sanctions concerning Iran's nuclear program). Put differently, if we are the "most important bilateral relationship in the 21st century world," then our bilateral dialogue must encompass the most important global issues of our time and must occur at the highest levels on a frequent basis.

ELEVATING EDUCATION, CULTURE, AND VALUES

Joseph Nye's mantra about the importance of "soft power" as well as "hard diplomacy" has special relevance when reframing the United States and China as a "pivotal relationship." Although the headlines focus on policies and politics, a huge amount of international relations is shaped in the substructure of attitudes and information. If we want a stable and enduring Sino-American relationship, then the Obama administration needs to give as much attention to soft diplomacy with China as did the Nixon administration in the early 1970s.

The future of U.S.-China relations rests with rising generations in both countries. Fortunately, we can already see evidence of a magnetic pull: Chinese studying English by the tens of millions, Americans studying Chinese by the hundreds of thousands, multitudes of students and young entrepreneurs moving across the Pacific in both directions. Why not build on this potential with innovative educational programs, supported by both governments, maybe around the theme of "China and the United States in a New Asia-Pacific Century"? Perhaps we might have a new version of the Peace Corps with teams of Americans and Chinese working in tandem on sustainable development projects around the globe?

The opening and closing ceremonies of the 2008 Beijing Olympics made a huge statement about Chinese reverence for culture, past and present. And the president and first lady have already talked passionately of making the Obama White House a showcase for cultural expression. Why not connect these two impulses by using government support for a substantial increase in Sino-American cultural exchanges, especially those occurring around summit meetings in Beijing and Washington? Perhaps this might be an important way to involve the vibrant and talented Chinese-American community in cultural diplomacy?

When it comes to values, there is no denying the fact that human rights issues will have heightened attention under a new Democratic administration in

Washington. The question is how the Obama administration handles Chinese human rights questions and how the Chinese respond. I hope the new administration will make its broad points in public, but save its specific human rights questions, those about particular individuals, for private deliberations with the Chinese. In the process, President Obama will have to walk a fine line, keeping to heartfelt U.S. principles while also acknowledging that the previous U.S. administration has done much to undercut the American moral bully pulpit in the eyes of the world. I hope the Chinese will listen respectfully in private, changing positions when justice demands it, while moving in public to create an ever more open society governed by law as their constitution promises.

IN SUM: A HISTORIC OPPORTUNITY

The next several years offer the best opportunity for reshaping and reenergizing U.S.-China relations since the early 1970s. Both sides have new leaderships with similar commitments to dramatic change domestically and internationally. Both countries have a justifiable sense of historical and contemporary exceptionalism. Both also realize that a muddling-through approach to Sino-American relations carries the danger of serious flare-ups and possible conflicts in the years ahead.

So my suggestion, the package that wraps together the five points above, is that the two sides engage in a macro-reframing of the United States and China as a “pivotal relationship” in bilateral, regional, and global arenas. If accomplished with skill and sincerity, this effort could open a new era in Sino-American relations, with significant benefits for both countries, enhanced stability in the Asia-Pacific region, and important impacts in critical areas around the world.

There is no doubt that reframing “the most important bilateral relationship” in our century is an enormously-complex task, more demanding than even the Sino-American *détente* and normalization of the 1970s. Ultimately, it will hinge on two key factors: bold leadership and deep respect.

To take such a step, both the Obama and Hu administrations would have to see it as a highest-priority interest, both internationally and domestically. Such a visionary outlook will not emerge from thin air but will require extensive private deliberations between both governments at the very highest levels. Nevertheless, the potential for dramatic boldness, while in short supply in today’s world, can be found in both Beijing and Washington. In the past several years, China has emerged as a remarkably adroit global force, spreading its influence through diplomacy, trade, and cultural influence as never before in modern history. And

President Barack Obama, a veritable genius at change politics, is a rare leader whose own multicultural life story and remarkable personal skills could lead him to see the enormous opportunity in reshaping U.S.-China relations.

It may sound simplistic to end with the question of style, but style will be as important as substance in making a reframed Sino-American relationship take root in the years ahead. Here, we Americans can learn much from the Chinese, masters at diplomatic style for over two thousand years. As the Chinese know well, though occasionally forget: candor is crucial, but arrogance is toxic. In considering President Theodore Roosevelt's suggestion, "walk softly, but carry a big stick," it is important to remember that both China and United States have big—albeit asymmetrical—sticks. Instead, the watchword should be: listen acutely and speak with respectful frankness. Mutual respect is a precious elixir in the art of statesmanship. And that is my deepest hope: a reframed U.S.-China relationship, embracing bilateral, regional, and global goals, based on mutual respect.

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